

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Leroy Township	County Osceola
Audit Date 3/31/05	Opinion Date 10/19/05	Date Accountant Report Submitted to State: 11/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date

LEROY TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

MARCH 31, 2005

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MARCH 31, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Leroy Township
Osceola County
Leroy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leroy Township, Osceola County, Leroy, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Leroy Township, Osceola County, Leroy, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leroy Township, Osceola County, Leroy, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LEROY TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Leroy Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Leroy Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$129,764. Of this amount, \$110,351 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$114,097. About 97% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Leroy Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

LEROY TOWNSHIP, OSCEOLA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$129,764 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

LEROY TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Leroy Township
Net Assets as of March 31, 2005

	Governmental Activities
Assets	
Current Assets	\$ 122,135
Non Current Assets	
Capital Assets	41,066
Less: Accumulated Depreciation	<u>25,399</u>
Total Non Current Assets	<u>15,667</u>
Total Assets	\$ <u>137,802</u>
Liabilities	
Current Liabilities	<u>\$ 8,038</u>
Net Assets	
Invested in Capital Assets	15,667
Restricted for Specific Purposes	3,746
Unrestricted	<u>110,351</u>
Total Net Assets	<u>129,764</u>
Total Liabilities and Net Assets	\$ <u>137,802</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

LEROY TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Leroy Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,465
Operating Grants and Contributions	4,275
Capital Grants and Contributions	14,626
General Revenues	
Property Taxes	70,267
State Shared Revenue	62,794
Unrestricted Investment Earnings	813
Other	486
Total Revenues	\$ 157,726
<u>Expenses</u>	
Legislative	\$ 5,612
General Government	55,173
Public Safety	56,016
Public Works	13,382
Health and Welfare	1,220
Culture and Recreation	4,157
Other Functions	7,529
Total Expenses	143,089
Changes in Net Assets	14,637
NET ASSETS – Beginning of Year	115,127
NET ASSETS – End of Year	\$ 129,764

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$14,637 or 12.71% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Leroy Township comes from property taxes and state shared revenues. The Township levied 0.8674 mills for operating purposes. The Township also levied 2.0000 mills on all real property for fire protection.

LEROY TOWNSHIP, OSCEOLA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public safety expenses that total 39.15% of total expenses. The Township spent \$56,016 in fiscal year 2005 on Public Safety expenses. General Governmental represented the next largest expense at \$55,173, or 38.56% of total expenses.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Leroy Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Leroy Township's governmental funds reported combined ending fund balances of \$114,097. Approximately 96.72%, or \$110,351 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for community parks must be used for expenditures that relate to improvements to the community parks.

General Fund – The General Fund increased its fund balance by \$5,023 which brings the fund balance to \$114,097. Of the General Fund's fund balance, \$110,351 is unreserved while \$3,746 is reserved for community parks. Most of the General Fund's functions, ended the year with expenditures below budgeted amounts. The budget differentials were funded by greater than anticipated revenues and by available fund balance. Property tax related revenues amounted to \$23,360. State shared revenues were collected in the amount of \$65,649.

Fire Fund – The Fire Fund fund balance remained the same at \$ 0. Property taxes collected amounted to \$46,907. The only expenditure was for contracted fire protection services in the amount of \$46,907.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$15,667 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

LEROY TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Leroy Township
Capital Assets as of March 31, 2005

		Governmental Activities
Land	\$	<u>2,823</u>
Buildings		34,591
Equipment and Furniture		<u>3,652</u>
		41,066
Less Accumulated Depreciation		<u>25,399</u>
Net Capital Assets	\$	<u>15,667</u>

During the fiscal year, the Township invested \$10,023 into park improvements which were capitalized.

Long-Term Debt. Leroy Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further potential reductions in state-shared revenues. The Township's millage rate will be reduced again by the Headlee Amendment rollback to 0.8505 mills for general operating purposes that will be levied in 2005-2006.

The Township also will levy 2.2500 mills on real property for fire protection.

These and other factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Leroy Township at 16093 190th Avenue, Leroy, Michigan 49655.

LEROY TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 102,054
Receivables	
Taxes	8,197
External Parties (Fiduciary Funds)	2,199
Due from Other Governments	9,685
	<hr/>
Total Current Assets	\$ 122,135
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	\$ 2,823
Buildings	34,591
Equipment and Furniture	3,652
	<hr/>
	\$ 41,066
Less Accumulated Depreciation	25,399
Net Capital Assets	<hr/>
	\$ 15,667
	<hr/>
TOTAL ASSETS	\$ 137,802
	<hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 546
Salaries Payable	563
Due to Other Governments	6,929
	<hr/>
Total Current Liabilities	\$ 8,038
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 15,667
Restricted for Community Parks	3,746
Unrestricted	110,351
	<hr/>
Total Net Assets	\$ 129,764
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/>
	\$ 137,802
	<hr/>

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 5,612	\$ 0	\$ 0	\$ 0	\$ (5,612)
General Government	55,173	2,484	25	0	(52,664)
Public Safety	56,016	1,357	0	0	(54,659)
Public Works	13,382	624	4,250	0	(8,508)
Health and Welfare	1,220	0	0	0	(1,220)
Culture and Recreation	4,157	0	0	14,626	10,469
Other Functions	7,529	0	0	0	(7,529)
Total Governmental Activities	\$ 143,089	\$ 4,465	\$ 4,275	\$ 14,626	\$ (119,723)
GENERAL REVENUES					
Property Tax					\$ 70,267
State Shared Revenue					62,794
Unrestricted Investment Earnings					813
Other					486
Total General Revenues					134,360
Change in Net Assets					14,637
NET ASSETS - Beginning of Year					115,127
NET ASSETS - End of Year					\$ 129,764

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	GENERAL FUND	FIRE FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 102,054	\$ 0	\$ 102,054
Taxes Receivable	2,310	5,887	8,197
Due From Other Funds	1,157	1,042	2,199
Due From Other Governments	9,685	0	9,685
Total Assets	<u>\$ 115,206</u>	<u>\$ 6,929</u>	<u>\$ 122,135</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 546	\$ 0	\$ 546
Salaries Payable	563	0	563
Due to Other Governments	0	6,929	6,929
Total Liabilities	<u>\$ 1,109</u>	<u>\$ 6,929</u>	<u>\$ 8,038</u>
 <u>FUND BALANCE</u>			
Reserved for:			
Community Park	\$ 3,746	\$ 0	\$ 3,746
Unreserved			
Undesignated	110,351	0	110,351
Total Fund Balance	<u>\$ 114,097</u>	<u>\$ 0</u>	<u>\$ 114,097</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 115,206</u></u>	<u><u>\$ 6,929</u></u>	<u><u>\$ 122,135</u></u>

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	114,097
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	2,823	
Buildings		34,591	
Equipment and Furniture		3,652	
Accumulated Depreciation		<u>(25,399)</u>	<u>15,667</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>129,764</u></u>
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The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 23,360	\$ 46,907	\$ 70,267
State Grants	65,649	0	65,649
Contributions from Local Units	3,895	0	3,895
Charges for Services	4,465	0	4,465
Interest and Rents	813	0	813
Other Revenues	12,637	0	12,637
Total Revenues	110,819	46,907	157,726
<u>EXPENDITURES</u>			
Legislative	5,612	0	5,612
General Government	54,764	0	54,764
Public Safety	9,109	46,907	56,016
Public Works	13,382	0	13,382
Health and Welfare	1,220	0	1,220
Culture and Recreation	14,180	0	14,180
Other Functions	7,529	0	7,529
Total Expenditures	105,796	46,907	152,703
Net Change in Fund Balance	5,023	0	5,023
<u>FUND BALANCE</u> - Beginning of Year	109,074	0	109,074
<u>FUND BALANCE</u> - End of Year	\$ 114,097	\$ 0	\$ 114,097

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 5,023
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	10,023
Depreciation Expense	<u>(409)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,637</u></u>

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 25,236
Taxes Receivable	<u> 64</u>
 TOTAL ASSETS	 <u><u>\$ 25,300</u></u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 2,199
Due to Other Governments	<u> 23,101</u>
 TOTAL LIABILITIES	 <u><u>\$ 25,300</u></u>
 <u>NET ASSETS</u>	 <u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Leroy Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Leroy Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Leroy Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Leroy Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Leroy Township Board at the Board's first meeting of each fiscal year. (April meeting)
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers' acceptances of United States banks.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Leroy Township totaled \$23,959,626, on which ad valorem taxes levied consisted of 0.8674 mills for Leroy Township operating purposes. The levy raised approximately \$20,778 for operating purposes. In addition, the Township levied 2.0000 mills for fire protection on all real property which generated \$45,613.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

3. *Inventories*

Inventories are not significant and are expensed as required.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>CAPITAL ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	25
Infrastructure	20
Equipment and Furniture	5-10

Leroy Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 17, 2004 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Fire Fund	\$ 46,000	\$	46,907

These overages were funded by greater than anticipated revenues and by available fund balance.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank, Leroy, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2005, \$2,054 of the government's bank balance of \$146,443 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>		<u>Fire</u>		<u>Total</u>
Receivables					
Taxes	\$ 2,310	\$	5,887	\$	8,197

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
<u>Governmental activities:</u>							
Capital assets, not being depreciated							
Land	\$ 2,823	\$	0	\$	0	\$	2,823
Capital assets, being depreciated							
Buildings	24,568		10,023		0		34,591
Equipment and Furniture	3,652		0		0		3,652
Total capital assets, being depreciated	28,220		10,023		0		38,243
Less accumulated depreciation for:							
Buildings	23,918		44		0		23,962
Equipment and Furniture	1,072		365		0		1,437
Total accumulated depreciation	24,990		409		0		25,399
Total capital assets, being depreciated, net	3,230		9,614		0		12,844
Governmental activities capital assets, net	\$ 6,053	\$	9,614	\$	0	\$	15,667

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ <u>409</u>
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LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
Due from/to Other Funds:		
General Fund		
Current Tax Collection Fund	\$ 1,157	\$ 0
Fire Fund		
Current Tax Collection Fund	1,042	0
Current Tax Collection Fund		
General Fund	0	1,157
Fire Fund	0	1,042
Total	<u>\$ 2,199</u>	<u>\$ 2,199</u>

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Community Parks

\$ 3,746

This balance is also restricted on the governmental-wide statement of net assets due to donor restrictions.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Leroy-Rose Lake Fire District

The Leroy-Rose Lake Fire District is a joint venture of Leroy Township, Rose Lake Township, and the Village of Leroy created to provide fire protection for the listed governments. The following financial information was taken from the Fire District's February 28, 2004, audited financial statements:

Total Assets	\$ 769,095
Investment in Capital Assets	624,460
Fund Balance – Unreserved	144,635
Total Receipts	188,495
Total Disbursements	94,476
Net Increase (Decrease) in Fund Balance	94,019

A copy of these audited financial statements may be obtained by request from the fire board treasurer, Leroy-Rose Lake Fire District, 16519 140th Avenue, Leroy, MI 49655.

C. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee on all summer ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 20,329	\$ 20,329	\$ 23,360	\$ 3,031	\$ 46,000	\$ 46,000	\$ 46,907	\$ 907
State Grants	62,850	62,850	65,649	2,799	0	0	0	0
Contributions from Local Units	0	0	3,895	3,895	0	0	0	0
Charges for Services	3,800	3,800	4,465	665	0	0	0	0
Interest and Rents	500	500	813	313	0	0	0	0
Other Revenues	5,000	5,000	12,637	7,637	0	0	0	0
Total Revenues	92,479	92,479	110,819	18,340	46,000	46,000	46,907	907
<u>EXPENDITURES</u>								
Legislative	5,500	5,616	5,612	4	0	0	0	0
General Government	62,020	66,038	54,764	11,274	0	0	0	0
Public Safety	11,600	12,100	9,109	2,991	46,000	46,000	46,907	(907)
Public Works	10,300	10,300	13,382	(3,082)	0	0	0	0
Health and Welfare	1,200	1,200	1,220	(20)	0	0	0	0
Culture and Recreation	800	800	14,180	(13,380)	0	0	0	0
Other Functions	13,150	22,713	7,529	15,184	0	0	0	0
Contingency	20,000	5,803	0	5,803	0	0	0	0
Total Expenditures	124,570	124,570	105,796	18,774	46,000	46,000	46,907	(907)
Net Change in Fund Balance	(32,091)	(32,091)	5,023	37,114	0	0	0	0
<u>FUND BALANCE</u> - Beginning of Year	98,348	98,348	109,074	10,726	0	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 66,257	\$ 66,257	\$ 114,097	\$ 47,840	\$ 0	\$ 0	\$ 0	\$ 0

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	\$ 102,054
Taxes Receivable	2,310
Due from Other Funds	1,157
Due from Other Governments	<u>9,685</u>
 TOTAL ASSETS	 <u><u>\$ 115,206</u></u>

LIABILITIES AND EQUITY

LIABILITIES

Accounts Payable	\$ 546
Salaries Payable	<u>563</u>
 Total Liabilities	 <u>\$ 1,109</u>

EQUITY

Balance	
Reserved for Community Parks	\$ 3,746
Unreserved	<u>110,351</u>
 Total Equity	 <u>\$ 114,097</u>

TOTAL LIABILITIES AND EQUITY	<u><u>\$ 115,206</u></u>
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LEROY TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	2005 BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 20,329	\$ 20,329	\$ 23,360
State Grants	62,850	62,850	65,649
Contributions from Local Units	0	0	3,895
Charges for Services	3,800	3,800	4,465
Interest and Rents	500	500	813
Other Revenues	5,000	5,000	12,637
Total Revenues	\$ 92,479	\$ 92,479	\$ 110,819
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 5,500	\$ 5,616	\$ 5,612
General Government			
Supervisor	6,138	7,002	7,002
Election	9,000	9,000	3,186
Assessor	10,850	10,899	10,724
Clerk	8,148	8,451	8,270
Board of Review	1,500	1,506	1,506
Equalization	1,600	3,063	3,833
Treasurer	11,724	11,733	10,885
Building and Grounds	8,000	8,000	2,975
Cemetery	5,060	6,384	6,383
Public Safety	11,600	12,100	9,109
Public Works	10,300	10,300	13,382
Health and Welfare	1,200	1,200	1,220
Culture and Recreation	800	800	14,180
Other Functions	13,150	22,713	7,529
Contingency	20,000	5,803	0
Total Expenditures	\$ 124,570	\$ 124,570	\$ 105,796
Excess of Revenues Over (Under) Expenditures	\$ (32,091)	\$ (32,091)	\$ 5,023
<u>FUND BALANCE - April 1, 2004</u>	98,348	98,348	109,074
<u>FUND BALANCE - March 31, 2005</u>	\$ 66,257	\$ 66,257	\$ 114,097

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$ 20,890	
Current Industrial Facilities Taxes	268	
Delinquent Property Taxes	137	
Penalties and Interest on Taxes	483	
Administration Fee	1,505	
Swamp Tax	<u>77</u>	
Total Taxes		\$ 23,360

STATE GRANTS

State Shared Revenues		
Sales and Use Tax	\$ 62,794	
Telecommunications Right of way Maintenance	<u>2,855</u>	
Total State Grants		65,649

Contributions from Local Units

Village of Leroy		3,895
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CHARGES FOR SERVICES

Summer Tax Collection	\$ 2,370	
Zoning Permits	1,007	
Land Division Applications	350	
Sale of Cemetery Lots	100	
Dog Licenses	14	
Recycling	<u>624</u>	
Total Charges for Services		4,465

INTEREST AND RENTS

Interest Earnings		813
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LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER REVENUE

Contributions and Donations from Private Sources	\$ 12,151	
Miscellaneous	<u>486</u>	
Total Other Revenues		<u>12,637</u>
TOTAL REVENUES		<u><u>\$ 110,819</u></u>

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 3,696

Other Services and Charges

Other 1,916

Total Legislative \$ 5,612

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 5,388

Supplies

Office Supplies 499

Other Services and Charges

Computer Rental 150

Seminars 965 \$ 7,002

Election

Personal Services

Salaries and Wages \$ 2,314

Other Services and Charges

Other 872 3,186

Assessor

Personal Services

Salaries and Wages \$ 9,400

Supplies

Office Supplies 1,249

Other Services and Charges

Seminars 75 10,724

Clerk

Personal Services

Salaries and Wages \$ 7,448

Salaries and Wages - Deputy 150

Supplies

Office Supplies 510

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Other Services and Charges		
Computer Rental	150	
Seminars	12	8,270
	<hr/>	
Board of Review		
Other Services and Charges		
Contracted Services	\$ 900	
Other	606	1,506
	<hr/>	
Equalization		
Other Services and Charges		
Printing and Publishing		3,833
Treasurer		
Personal Services		
Salaries and Wages	\$ 9,324	
Salaries and Wages - Deputy	150	
Supplies		
Office Supplies	709	
Other Services and Charges		
Computer Rental	150	
Postage	470	
Seminars	82	10,885
	<hr/>	
Building and Grounds		
Other Services and Charges		
Communication	\$ 485	
Aid to Other Government		
Village of Leroy	1,850	
Other	640	2,975
	<hr/>	
Cemetery		
Personal Services		
Salaries and Wages	\$ 3,667	
Other Services and Charges		
Aid to Other Government		
Maple Hill Cemetery	1,700	
Other	616	
Capital Outlay	400	6,383
	<hr/>	<hr/>

Total General Government

54,764

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC SAFETY

Planning and Zoning		
Personal Services		
Salaries and Wages	\$	7,537
Other Services and Charges		
Other		<u>1,572</u>
Total Public Safety		9,109

PUBLIC WORKS

Highway, Streets, and Bridges		
Other Services and Charges		
Repairs and Maintenance	\$	9,009
Recycling		
Other Services and Charges		
Contracted Services		<u>4,373</u>
Total Public Works		13,382

HEALTH AND WELFARE

Economic Development		
Aid to Other Governments		
Osceola Economic Development Corporation		1,220

CULTURE AND RECREATION

Community Parks		
Capital Outlay	\$	13,380
LASO		
Other Services and Charges		
Aid to Other Government		400
Rose Lake Youth Camp		
Other Services and Charges		
Aid to Other Government		<u>400</u>
Total Culture and Recreation		14,180

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER FUNCTIONS

Personal Services

Employee Benefits

Social Security Contributions

\$ 3,524

Other Services and Charges

Insurance and Bonds

4,005

Total Other Functions

7,529

TOTAL EXPENDITURES

\$ 105,796

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Taxes Receivable	\$ 5,887
Due from Other Funds	<u>1,042</u>
 TOTAL ASSETS	 <u><u>\$ 6,929</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 6,929
--------------------------	----------

FUND BALANCE

TOTAL LIABILITIES AND FUND BALANCE	<u><u>0</u></u>
	<u><u>\$ 6,929</u></u>

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

<u>REVENUES</u>	<u>2005 BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Taxes			
Current Property Taxes	\$ 46,000	\$ 46,000	\$ 45,613
Current Industrial Facilities Taxes	0	0	1,004
Delinquent Property Taxes and Interest	0	0	290
Total Revenues	\$ 46,000	\$ 46,000	\$ 46,907
<u>EXPENDITURES</u>			
Public Safety			
Aid to Other Government			
Leroy-Rose Lake Fire District	46,000	46,000	46,907
Excess of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u> - April 1, 2004	0	0	0
<u>FUND BALANCE</u> - March 31, 2005	\$ 0	\$ 0	\$ 0

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<hr/>				
<u>ASSETS</u>				
Cash	\$ 4,128	\$ 755,464	\$ 734,356	\$ 25,236
Taxes Receivable	0	64	0	64
<hr/>				
Total Assets	\$ 4,128	\$ 755,528	\$ 734,356	\$ 25,300
<hr/>				
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 4,896	\$ 4,896	\$ 0
Due to Other Funds	218	63,877	61,896	2,199
Due to Other Governments	3,910	686,755	667,564	23,101
<hr/>				
Total Liabilities	\$ 4,128	\$ 755,528	\$ 734,356	\$ 25,300
<hr/>				

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF 2004 REGULAR TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	220,409	
County - State Education Tax		143,761	
Township			
Operating		20,778	
Fire		45,613	
School			
Pine River Area Schools		236,608	
Intermediate School			
Wexford-Missaukee		<u>143,401</u>	\$ 810,570

TAXES COLLECTED

County	\$	196,106	
County - State Education Tax		133,867	
Township			
Operating		18,467	
Fire		39,726	
School			
Pine River Area Schools		212,481	
Intermediate School			
Wexford-Missaukee		<u>127,167</u>	<u>727,814</u>

TAXES RETURNED DELINQUENT

County	\$	24,303	
County - State Education Tax		9,894	
Township			
Operating		2,311	
Fire		5,887	
School			
Pine River Area Schools		24,127	
Intermediate School			
Wexford-Missaukee		<u>16,234</u>	<u>\$ 82,756</u>

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	2,841	
State Education Tax		3,705	
Township			
Operating		268	
Fire		1,004	
School			
Pine River Area Schools			
Local Share		988	
State Share		5,559	
Intermediate School			
Wexford-Missaukee			
Local Share		85	
State Share		1,763	
			\$ 16,213

TAXES COLLECTED

County	\$	2,841	
State Education Tax		3,705	
Township			
Operating		268	
Fire		1,004	
School			
Pine River Area Schools			
Local Share		988	
State Share		5,559	
Intermediate School			
Wexford-Missaukee			
Local Share		85	
State Share		1,763	
			16,213

LEROY TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County	\$	0	
State Education Tax		0	
Township			
Operating		0	
Fire		0	
School			
Pine River Area Schools			
Local Share		0	
State Share		0	
Intermediate School			
Wexford-Missaukee			
Local Share		0	
State Share		0	
		<u>0</u>	<u>\$ 0</u>

134 WEST HARRIS STREET
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

During the course of our audit of the basic financial statements of Leroy Township for the year ended March 31, 2005, we noted the following items:

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

1. Total expenditures of the Fire Fund exceeded budgeted expenditures. In the future, budgeted expenditures should be increased prior to incurring expenditures in excess of budgeted amounts.
2. Several items in the General Fund exceeded the budgeted amount. These overages were the result of year end audit adjustments.

Government Accounting Standards Board (GASB) Statement 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

Reportable Condition in Internal Controls

As part of our audit of the Township, we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2005. We recommend that any balance remaining in the Current Tax Collection Fund be paid out to the appropriate governmental units prior to the end of the fiscal year.

General Recordkeeping

Once again, the accounting records being maintained by the clerk and treasurer were found to be in good order and in compliance with the State's uniform accounting system

Property Tax Administration Fee

As reported in Note IV.C of the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs that the board pass a motion to write off the loss annually.

Computerization of Records

With the ever increasing complexity and volume of accounting recordkeeping transactions, we recommend the Township consider obtaining and maintaining computerized accounting records. We are available to assist the Township with selecting and installing a software program. We are also available to provide computer training.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Leroy Township
Osceola County
Leroy, Michigan

In planning and performing our audit of the basic financial statements of Leroy Township, Osceola County, Leroy, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.